

Message Text

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PAGE 01 STOCKH 00694 091519Z

45

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FM AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAGS: EIND, EFIN, SW

SUBJECT: GOODYEAR MAY CONTINUE TIRE MANUFACTURING IN SWEDEN

REF: 75 STOCKHOLM 6405

1. ACCORDING TO INFORMATION PROVIDED FEBRUARY 9 BY ROBERT LOBELL, LOCAL PUBLIC RELATIONS CONSULTANT FOR GOODYEAR, THERE APPEARS TO BE 75-PERCENT CHANCE THAT AKRON MANAGEMENT WILL DECIDE TO CONTINUE TIRE-MANUFACTURING OPERATIONS IN NORRKOPING PLANT.
2. INDEPENDENT COMMITTEE COMPOSED OF ONE LABOR MEDIATOR, TWO EMPLOYEE REPRESENTATIVES, AND TWO MANAGEMENT REPRESENTATIVES, RECOMMENDED JANUARY 30 THAT OPERATIONS BE CONTINUED. COMMITTEE RECOMMENDED THAT HEAD OFFICE BE MOVED FROM STOCKHOLM TO NORRKOPING AS ECONOMY MEASURE, THAT LEVEL OF TRUCK TIRE PRODUCTION BE INCREASED, AND THAT COMPANY INVEST TO ENABLE PLANT TO MANUFACTURE STEEL RADIALS FOR WHICH CONSUMER DEMAND IS STRONG. REPORT EXCORIATED LOCAL MANAGEMENT AS INCOMPETENT.

3. ACCORDING TO LOBELL, NO LESS THAN 14 VISITING GOODYEAR OFFICIALS, HEADED BY J. SARDIS, VP FOR OPERATIONS OF GOODYEAR INTERNATIONAL, ARE PRESENTLY

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PAGE 02 STOCKH 00694 091519Z

STUDYING SITUATION. SARDIS IS EXPECTED TO MAKE

RECOMMENDATION TO AKRON BOARD OF DIRECTORS WITHIN WEEK. LOBELL THOUGHT THERE WAS NO VALID REASON FOR CLOSING IF CHANGES WERE MADE, THAT CLOSURE WAS ESTIMATED TO COST GOODYEAR \$10-11 MILLION IN CLOSING COSTS AND IN REQUIRED SEVERANCE PAY FOR ALMOST 1,000 WORKERS, AND THAT COMPANY WAS THEREFORE PROBABLY PREPARED TO TAKE CHANCE ON MAKING CHANGES IN ORDER TO AVOID CRITICISM CERTAIN TO ACCOMPANY PLANT SHUTDOWN.

4. GOODYEAR PLANT PRESENTLY MAKES TIRES FOR TRUCKS AND FARM VEHICLES, AND TEXTILE RADIALS AND CONVENTIONAL TIRES FOR PASSENGER CARS. PLANT STOPPED MAKING LABOR-INTENSIVE STEEL RADIALS SEVERAL YEARS AGO.

5. LOBELL'S CURRENT ASSESSMENT DIFFERS FROM IMPRESSION EMBOFFS RECEIVED JANUARY 30 IN CONVERSATION WITH MAURICE F. O'REILLY, DIRECTOR FOR PUBLIC RELATIONS, GOODYEAR INTERNATIONAL. O'REILLY VISITED EMBASSY TO OUTLINE PR MEASURES BEING TAKEN BY GOODYEAR --INCLUDING FORMATION OF INDEPENDENT COMMITTEE--TO DEVELOP EMPLOYEE AND PUBLIC UNDERSTANDING IN EVENT PLANT WERE CLOSED. O'REILLY DESCRIBED AS BLEAK ECONOMIC OUTLOOK FOR 37-YEAR OLD PLANT.

6. SWEDISH GOVERNMENT, ACCORDING TO O'REILLY, HAS TAKEN HANDS-OFF ATTITUDE. INFORMED BY GOODYEAR SOME TIME AGO THAT 1,000-EMPLOYEE PLANT MIGHT HAVE TO BE CLOSED, LABOR MINISTER INGEMUND BENGTTSSON INDICATED GOS WOULD NOT INTERVENE UNTIL COMPANY HAS MADE DECISION.

7. COMMENT. EMBASSY BELIEVES THAT COMPANY IS FORCED TO GIVE GENUINE CONSIDERATION TO COMMITTEE REPORT. GOODYEAR MAY HAVE BEEN DISPOSED TO CLOSE PLANT BEFORE REPORT WAS ISSUED AND PERHAPS ANTICIPATED SUCH A RECOMMENDATION BUT SITUATION NOW APPEARS TO HAVE CHANGED. LATEST ISSUE OF WEEKLY "BUSINESS WORLD" (AFFARSVARLDEN) REPORTS THAT PLANT'S MANAGING DIRECTOR, ALTHOUGH NOW INVOLVED IN CONSIDERATION OF COMMITTEE'S REPORT, WAS LEFT OUTSIDE COMMITTEE. LIMITED OFFICIAL USE

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PAGE 03 STOCKH 00694 091519Z

HE IS QUOTED AS HAVING DENIED RUMORS THAT HE WILL LEAVE HIS POST SOON, SAYING THIS POSSIBILITY IS "NOT IN QUESTION AT PRESENT." SIGNS POINT TO A REORGANIZATION OF PLANT AND ITS CONTINUED OPERATION. STRAUSZ-HUPE'

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